

The complaint

Ms B is unhappy with the premium Great Lakes Insurance SE charged for renewal of her lifetime pet insurance policy.

What happened

Ms B took out a lifetime pet insurance policy with Great Lakes in December 2020. When she received renewal documentation at the end of 2022 she complained her premium had increased from around £70 a month to over £125. Great Lakes explained the factors which had led to the change including that it now took into account individual claims history when calculating premiums. Ms B said when she took out the policy she was told that wouldn't be the case.

Our investigator found that when the policy was first taken out claims were pooled between similar customers. But that was now being rated on a more individual basis. He thought Great Lakes was entitled to make that change but agreed this wasn't made clear to Ms B when she took the policy out. He thought it unlikely she'd have chosen a policy which operated in a different way if it had but accepted the subsequent increase in price would have been distressing for her. And he said Great Lakes should pay £250 in recognition of that.

Great Lakes didn't respond. Ms B didn't agree. She said the policy had been mis-sold as she was told there wouldn't be individual claims loading. Other providers didn't rate on the basis of individual claims but she couldn't switch because her dog now had an ongoing condition. She didn't agree the compensation was enough. She also said Great Lakes hadn't treated the ongoing claims she did make as continuous but had logged them individually which she believed impacted her premium. So I need to reach a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Standard pet insurance policies usually won't cover any medical conditions a pet had or had received treatment for when the policy was taken out or renewed. So at renewal ongoing or recurring medical conditions won't be covered (once the 12 months cover for any such condition has expired). But some pet insurance policies will continue to cover any medical conditions claimed for in previous years, provided the policy is renewed each year. These are sometimes referred to as lifetime policies, as ongoing or recurring conditions will continue to be covered for the lifetime of the pet, if premiums carry on being paid.

Lifetime policies are usually more expensive than standard policies as they provide a greater level of cover. But there are also different considerations surrounding the long-term cost and cover for customers with these policies, as the cost doesn't stay the same for the life of the policy and will generally increase each year at renewal, as the pet gets older and the cost of veterinary treatment goes up. The cost can also increase due to claims, changes in insurance premium tax or if an insurer re-evaluates the risk. There's no limit to how high the cost could be.

In this case Ms B is unhappy with the premium charged for the renewal of her lifetime policy. In particular she's concerned that claims history is now taken into account which is different to what she was told when she took the policy out. I've thought first about whether the increase has been correctly calculated by Great Lakes.

In doing so I've taken into account that insurers are entitled to decide how much to charge for the insurance cover they provide. It's up to them how much they increase their premiums by and it's common for the percentages of increase to vary from year to year. I don't have the power to tell a business what its insurance should cost. I would be, in effect, determining or telling a business how it should operate – and that's not my role. So I can't say the cost of Ms B's policy is too high, she should have been charged less for the policy or that she should be charged less in the future.

And the policy terms do allow Great Lakes to change the premium at renewal. It's explained the factors that influenced the increase which includes claims history but also overall increases in vet's fees and the age of a pet. And I've seen evidence to show how that's been applied in Ms B's case. I haven't seen evidence to suggest Great Lakes have treated Ms B any differently to how it would have treated any other policy holder in the same position.

Ms B did express concern that claims relating to the same condition had been treated individually rather than as a continuous claim and that had impacted her premium. However, Great Lakes has told us if a high number of small claims are submitted for one condition this is still taken into consideration as a whole. And so whether it's one big claim or lots of small claims, the effect on the premium will be the same. I'm satisfied these have been correctly considered.

I've also taken into account that this policy was marketed to Ms B as one that would continue to provide cover for as long as a customer continues to pay the premiums. We've previously taken the view that in some circumstances it might not be fair for a business to make changes to a policy like this if they fundamentally change the nature of the cover on offer. That might, for example, be the case where an insurer withdrew from the market and left a consumer without ongoing cover for a pre-existing condition their pet might have, which would otherwise be covered by the policy that insurer had sold.

I don't think that's the same as what happened here. Great Lakes has changed the way it calculates the policy premium and that does differ from the position when Ms B took the policy out. However, claims were always taken into account when calculating premiums. The difference is that previously they were pooled across customers with similar characteristics whereas now customers who have more claims are charged more if claims in the last 12 months indicate an increased risk of future claims. I don't think that represents a fundamental change to the lifetime cover offered by Great Lakes. So while I appreciate that the renewal quote it offered Ms B in 2022 was a significant increase on the previous year I don't think it's done anything wrong here.

But as the seller of the policy Great Lakes also had a responsibility to provide clear, fair and not misleading information to Ms B when she took this policy out. The relevant rules (the Insurance Conduct of Business Sourcebook – ICOBS) say it needs to take reasonable steps to provide a customer with “*appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed*”.

In this case I don’t think Great Lakes did provide Ms B with the information she needed. In particular when she called to discuss the policy in December 2020 she asked if making a claim would automatically put up her premiums. The adviser said at renewal Great Lakes would look at “*claims across the board and not just yourself*”. I appreciate that reflected the pricing position at the time. But the adviser didn’t provide any caveat to that or give any indication that might change in future. As Ms B was making a decision on taking out lifetime cover I think that was something she should have been told so she could make an informed choice as to whether this was the right policy for her dog.

I’ve gone on to think about how that’s affected Ms B and whether she’d have acted differently if she’d been given better information. I think it’s clear Ms B wanted lifetime cover for her dog; I understand she already had a lifetime policy when she contacted Great Lakes but was looking to switch. And from her call with Great Lakes it’s apparent she was interested in the more competitive premium it offered.

However, she did ask about the impact of future claims during her second call with Great Lakes. And it’s possible that if given clearer information she might have looked elsewhere. I also appreciate that some other providers don’t apply claims loading in the same way that Great Lakes now does. But I’m mindful of the fact that when she called Great Lakes Ms B had already made the decision to go ahead with this policy; the only reason for her call was that she hadn’t been able to complete the application online.

And she hadn’t had to make any claims for her dog at that point. Her discussion with Great Lakes centred around whether a prior leg lameness issue which had affected her dog some years ago would impact future coverage under this policy. It was the reassurance she was given on that plus the competitive price this policy offered which I think were the main drivers of her decision to go ahead with it. So even if Great Lakes had made clear the way it considered claims could change in future, I don’t think that would have put Ms B off taking out this policy. I think it’s likely she’d have still gone ahead with it.

However, I accept that the price increase which was, in part, driven by her claims history, will have come as a shock to Ms B given she’d previously been told individual claims wouldn’t impact the premium. She might reasonably have thought there would be some increase given, for example, her dog’s increasing age but I think the extent of that increase would have been unexpected and would have caused her distress. I’ve thought about the impact of that on her and I’m satisfied the £250 our investigator recommended is the right amount to recognise this.

My final decision

I’ve decided to uphold this complaint. Great Lakes Insurance SE will need to put things right by paying Ms B £250. Under the rules of the Financial Ombudsman Service, I’m required to ask Ms B to accept or reject my decision before 10 July 2023.

James Park
Ombudsman